

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 5747

**GREEN RIVER COMMUNITY COLLEGE**

Agency No. 649

July 1, 1995 Through June 30, 1996

Issue Date: February 7, 1997

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**GREEN RIVER COMMUNITY COLLEGE**  
**Agency No. 649**  
**July 1, 1995 Through June 30, 1996**

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**Overview**

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We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at Green River Community College included procedures to satisfy the requirements of the 1996 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There was one finding, which is listed in the Schedule of Findings following this Overview, for Green River Community College.

Brian Sonntag  
State Auditor

August 30, 1996

**GREEN RIVER COMMUNITY COLLEGE**  
**Agency No. 649**  
**July 1, 1995 Through June 30, 1996**

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**Schedule Of Findings**

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1. Green River Community College Should Implement Effective Controls To Ensure Proper Credit Card Use And Adequate Monitoring Over Reimbursements

Our audit of Green River Community College's International Program revealed that college-owned credit cards were used to make unallowable purchases. Green River Community College's International Program Department actively recruits students in other countries. Recruiting requires that marketing staff travel to foreign countries for several weeks at a time. To facilitate travel of this nature the college obtained five credit cards issued in the name of the college and marketer. Each marketer has the responsibility for making the monthly payment of the credit card. Credit cards were intended to be used for state approved travel expenses incurred while recruiting students in foreign countries. Upon return to the college each marketer is responsible for submitting a state approved "Travel Expense Voucher" providing original receipts for all charges made against the credit card. The college Business Office reviews the voucher and receipts and processes a reimbursement for approved travel expenses.

Our examination of credit card transactions revealed that college-owned credit cards were used to make unauthorized and unallowable purchases.

- a. Two marketers used college-owned credit cards to make unallowable alcohol and cosmetic purchases. The business office processed and reimbursed individuals for these unallowable purchases. As a result of our audit, the individuals subsequently returned the money and were directed to discontinue personal use of credit cards.
- b. An International Program marketer circumvented college cash advance policies by using a college-owned credit card to make two unauthorized (local bank) cash advances in the amount of \$707.50 and \$507.50 respectively. Both advances were obtained prior to going on assignment on behalf of the International Program, and both incurred an additional 2 percent cash advance transaction fee. The business office reviewed supporting receipts and processed the travel voucher reimbursement without informing the department they were not in compliance with college cash advance policies.
- c. Two marketers charged registration/conference fees to their credit cards, disregarding college purchasing procedures which require prior signature authorization for all registration/conference fees. The business office processed and reimbursed these expenditures without informing the department they were not in compliance with college purchasing policies.
- d. Unallowable promotional items were routinely charged to state-owned credit cards and subsequently reimbursed by the Green River College Foundation. Marketers used state-owned credit cards to purchase promotional items and meals for

International Program recruiting. Credit cards were used to buy gifts and meals for visiting recruiters. Receipts were submitted to the foundation for reimbursements.

The State of Washington Office of Financial Management's (OFM) *Policies, Regulations, and Procedures* manual Section 4.2.2.1.1. (b) states:

Reimbursement for a state official's or state employee's alcoholic beverage expenses is prohibited.

Section 4.2.1.3.1f states:

Prior authorization of travel is to be exercised through the use of a Travel Authorization Form, or through other equally effective written means, whenever a travel advance is required by a traveler and for all out of state travel.

Section 6.1.1.2.4. states:

Sound Policies and Procedures - Every effort is to be made that the assets of the state are properly handled. By supplying employees with strict control procedures and ensuring that they are followed through the use of checks and audits, the chance of losses will be greatly decreased.

Section 6.1.1.1.2.a. states:

Each agency director has the responsibility for establishing and maintaining on an ongoing basis an effective system of internal accounting control throughout the agency in accordance with Internal Control and Auditing Policies, Part 6, Chapter 1, of this manual.

The *Washington Administrative Code* (WAC) Section 236-48-251 states:

Agency Heads (or their designees) shall institute a system for responsibility, control, and distribution of credit/charge cards within each agency.

The *Constitution of the State of Washington*, Article VIII, Section 5 states:

The credit of the state shall not, in Any manner be given or loaned to, or in aid of, any individual, association, company or corporation.

The *Revised Code of Washington* (RCW) 42.52.160 states:

Use of persons, money, or property for private gain. (1) No state officer or state employee may employ or use any person, money, or property under the officer's or employee's official control or direction, or in his or her official custody, for the private benefit or gain of the officer, employee, or another.

Management failed to communicate proper credit card use procedures to credit card holders. In addition, the business office did not adequately review credit card activity for unallowable purchases.

Without effective controls and effective monitoring the college risks paying unauthorized and unallowable expenditures.

We recommend that Green River Community College implement effective controls to ensure proper credit card use and adequate monitoring over reimbursements.

*Auditee's Response*

*The college concurs with the audit finding. Procedures for credit card use by the International Program Department personnel have been discussed with the state auditor, revised, and communicated to department personnel including the related supervisors and/or administrators for the department.*

*Auditor's Concluding Remarks*

We appreciate the college's commitment to resolve the condition noted in our finding. We will review the resolution of this issue during the course of our next audit.